

CIMA

Subject BA3

**Fundamentals of Financial
Accounting**

Study Text



KAPLAN PUBLISHING'S STATEMENT OF PRINCIPLES

LINGUISTIC DIVERSITY, EQUALITY AND INCLUSION

We are committed to diversity, equality and inclusion and strive to deliver content that all users can relate to.

We are here to make a difference to the success of every learner.

Clarity, accessibility and ease of use for our learners are key to our approach.

We will use contemporary examples that are rich, engaging and representative of a diverse workplace.

We will include a representative mix of race and gender at the various levels of seniority within the businesses in our examples to support all our learners in aspiring to achieve their potential within their chosen careers.

Roles played by characters in our examples will demonstrate richness and diversity by the use of different names, backgrounds, ethnicity and gender, with a mix of sexuality, relationships and beliefs where these are relevant to the syllabus.

It must always be obvious who is being referred to in each stage of any example so that we do not detract from clarity and ease of use for each of our learners.

We will actively seek feedback from our learners on our approach and keep our policy under continuous review. If you would like to provide any feedback on our linguistic approach, please use this form (you will need to enter the link below into your browser).

<https://docs.google.com/forms/d/1YNo3A16mtXGTDIFJzgJhcu377QA4Q4ihUgfYvVKclF8/edit>

We will seek to devise simple measures that can be used by independent assessors to randomly check our success in the implementation of our Linguistic Equality, Diversity and Inclusion Policy.

British Library Cataloguing-in-Publication Data

A catalogue record for this book is available from the British Library.

Published by: Kaplan Publishing UK

Unit 2 The Business Centre, Molly Millars Lane, Wokingham, Berkshire RG41 2QZ

ISBN: 978-1-83996-444-2

© Kaplan Financial Limited, 2023

No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means electronic, mechanical, photocopying, recording or otherwise without the prior written permission of the publisher.

Acknowledgements

We are grateful to the AICPA® & CIMA® for permission to reproduce past examination questions. The answers to CIMA's CGMA® exam questions have been prepared by Kaplan Publishing, except in the case of the CIMA November 2010 and subsequent CIMA Exam answers where the official CIMA answers have been reproduced. Questions from past live assessments have been included by kind permission of CIMA.

This product contains copyright material and trademarks of the IFRS Foundation®. All rights reserved. Used under licence from the IFRS Foundation®. Reproduction and use rights are strictly limited. For more information about the IFRS Foundation and rights to use its material please visit www.ifrs.org.

Notice

The text in this material and any others made available by any Kaplan Group company does not amount to advice on a particular matter and should not be taken as such. No reliance should be placed on the content as the basis for any investment or other decision or in connection with any advice given to third parties. Please consult your appropriate professional adviser as necessary. Kaplan Publishing Limited, all other Kaplan group companies, the International Accounting Standards Board, and the IFRS Foundation expressly disclaim all liability to any person in respect of any losses or other claims, whether direct, indirect, incidental, consequential or otherwise arising in relation to the use of such materials. Printed and bound in Great Britain.

Kaplan Publishing's learning materials are designed to help students succeed in their examinations. In certain circumstances, CIMA can make post-exam adjustment to a student's mark or grade to reflect adverse circumstances which may have disadvantaged a student's ability to take an exam or demonstrate their normal level of attainment (see CIMA's Special Consideration policy). However, it should be noted that students will not be eligible for special consideration by CIMA if preparation for or performance in a CIMA exam is affected by any failure by their tuition provider to prepare them properly for the exam for any reason including, but not limited to, staff shortages, building work or a lack of facilities etc.

Similarly, CIMA will not accept applications for special consideration on any of the following grounds:

- failure by a tuition provider to cover the whole syllabus
- failure by the student to cover the whole syllabus, for instance as a result of joining a course part way through
- failure by the student to prepare adequately for the exam, or to use the correct pre-seen material
- errors in the Kaplan Official Study Text, including sample (practice) questions or any other Kaplan content or
- errors in any other study materials (from any other tuition provider or publisher).

This product contains copyright material and trademarks of the IFRS Foundation®. All rights reserved. Used under licence from the IFRS Foundation®. Reproduction and use rights are strictly limited. For more information about the IFRS Foundation and rights to use its material please visit www.ifrs.org.

Disclaimer: To the extent permitted by applicable law the Board and the IFRS Foundation expressly disclaims all liability howsoever arising from this publication or any translation thereof whether in contract, tort or otherwise (including, but not limited to, liability for any negligent act or omission) to any person in respect of any claims or losses of any nature including direct, indirect, incidental or consequential loss, punitive damages, penalties or costs.

Information contained in this publication does not constitute advice and should not be substituted for the services of an appropriately qualified professional.



The IFRS Foundation logo, the IASB logo, the IFRS for SMEs logo, the 'Hexagon Device', 'IFRS Foundation', 'eIFRS', 'IAS', 'IASB', 'IFRS for SMEs', 'IASs', 'IFRS', 'IFRSs', 'International Accounting Standards' and 'International Financial Reporting Standards', 'IFRIC', NIIF® and 'SIC' are **Trade Marks** of the IFRS Foundation.



Trade Marks

The Foundation has trade marks registered around the world (**'Trade Marks'**) including 'IAS®', 'IASB®', 'IFRIC®', 'IFRS®', the IFRS® logo, 'IFRS for SMEs®', IFRS for SMEs® logo, the 'Hexagon Device', 'International Financial Reporting Standards®', NIIF® and 'SIC®'.

Further details of the Foundation's Trade Marks are available from the Licensor on request.

Contents

		Page
Chapter 1	The accounting environment	1
Chapter 2	The Regulatory Framework of Financial Reporting	53
Chapter 3	Ledger accounting and double-entry bookkeeping	87
Chapter 4	From trial balance to financial statements	121
Chapter 5	Sales tax, discounts and the books of prime entry	155
Chapter 6	Accounting for accruals and prepayments	199
Chapter 7	Accounting for payroll	217
Chapter 8	Accounting for the issue of shares	231
Chapter 9	Accounting for irrecoverable debts and allowances for receivables	257
Chapter 10	Accounting for inventory	275
Chapter 11	Non-current assets: Acquisition and depreciation	303
Chapter 12	Non-current assets: Revaluation, impairment and disposal	335
Chapter 13	Accounting reconciliations	369
Chapter 14	Incomplete records	411
Chapter 15	Accounting errors and suspense accounts	433
Chapter 16	The financial statements of single entities	453
Chapter 17	The manufacturing account	475
Chapter 18	The statement of cash flows	497
Chapter 19	The interpretation of financial statements	531
Chapter 20	Case study questions	579
Chapter 21	Mock Assessment 1	609
Chapter 22	References	651
Index		I.1



Introduction

This document references IFRS® Standards and IAS® Standards, which are authored by the International Accounting Standards Board (the Board), and published in the 2022 IFRS Standards Red Book.

How to Use the Materials

These Kaplan Publishing learning materials have been carefully designed to make your learning experience as easy as possible and to give you the best chances of success in your Cert BA Objective Test Examination.

The product range contains a number of features to help you in the study process. They include:

- a detailed explanation of all syllabus areas
- extensive 'practical' materials
- generous question practice, together with full solutions.

This Study Text has been designed with the needs of home-study and distance-learning candidates in mind. Such students require very full coverage of the syllabus topics, and also the facility to undertake extensive question practice. However, the Study Text is also ideal for fully taught courses.

The main body of the text is divided into a number of chapters, each of which is organised on the following pattern:

- **Detailed learning outcomes.** These describe the knowledge expected after your studies of the chapter are complete. You should assimilate these before beginning detailed work on the chapter, so that you can appreciate where your studies are leading.
- **Step-by-step topic coverage.** This is the heart of each chapter, containing detailed explanatory text supported where appropriate by worked examples and exercises. You should work carefully through this section, ensuring that you understand the material being explained and can tackle the examples and exercises successfully. Remember that in many cases knowledge is cumulative: if you fail to digest earlier material thoroughly, you may struggle to understand later chapters.
- **Activities.** Some chapters are illustrated by more practical elements, such as comments and questions designed to stimulate discussion.
- **Question practice.** The text contains exam-style objective test questions (OTQs).
- **Solutions.** Avoid the temptation merely to 'audit' the solutions provided. It is an illusion to think that this provides the same benefits as you would gain from a serious attempt of your own. However, if you are struggling to get started on a question you should read the introductory guidance provided at the beginning of the solution, where provided, and then make your own attempt before referring back to the full solution.

If you work conscientiously through CIMA's Official Cert BA Study Text according to the guidelines above you will be giving yourself an excellent chance of success in your Objective Text Examination. Good luck with your studies!

Quality and accuracy are of the utmost importance to us so if you spot an error in any of our products, please send an email to mykaplanreporting@kaplan.com with full details, or follow the link to the feedback form in MyKaplan.

Our Quality Coordinator will work with our technical team to verify the error and take action to ensure it is corrected in future editions.

Icon explanations



Definition – These sections explain important areas of knowledge which must be understood and reproduced in an assessment environment.



Key point – Identifies topics which are key to success and are often examined.



Supplementary reading – These sections will help to provide a deeper understanding of core areas. The supplementary reading is **NOT** optional reading. It is vital to provide you with the breadth of knowledge you will need to address the wide range of topics within your syllabus that could feature in an assessment question. **Reference to this text is vital when self-studying.**



Test your understanding – Following key points and definitions are exercises which give the opportunity to assess the understanding of these core areas. Note that not all questions are exam style, some are for understanding only.



Illustration – To help develop an understanding of particular topics. The illustrative examples are useful in preparing for the Test your understanding exercises.



New – Identifies topics that are brand new in subjects that build on, and therefore also contain, learning covered in earlier subjects.



You are viewing a sample

Interested in the full version?